



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
OFFICE OF FINANCIAL AND INSURANCE REGULATION  
DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH  
STANLEY "SKIP" PRUSS, DIRECTOR

KEN ROSS  
COMMISSIONER

### BILL ANALYSIS

**BILL NUMBER:** House Bill 5633, as introduced

**TOPIC:** Prevent insurer from using a not-at-fault accident for rating or canceling a policy

**SPONSOR:** Representative Kate Segal

**CO-SPONSORS:** Representatives Lesia Liss, Harold Haugh, Jon Switalski, Bob Constan, Mike Huckleberry, Dian Slavens, Douglas Geiss, Fred Durhal, Rashida Tlaib, Robert Jones, George Cushingberry, Jimmy Womack, Coleman Young, LaMar Lemmons, David Nathan, Lisa Brown, Sarah Roberts, Lee Gonzales, Gabe Leland, Ellen Cogen Lipton

**COMMITTEE:** House Committee on Insurance

**Analysis Done:** December 2, 2009

### POSITION

The Office of Financial and Insurance Regulation (OFIR) supports this legislation.

### PROBLEM/BACKGROUND

In Michigan, auto insurance companies may develop rates for auto insurance based only on factors specified in the law under Section 500.2111 of the Michigan Insurance Code. These factors are directly related to the risk an insured person or their vehicle represents or that have a direct impact on the cost to the company of paying a claim. For example, the annual number of miles driven, the age of the driver, the type of vehicle and where a person lives are a few of the factors a company may use to develop a rate. A company may, but is not required, to use any or all of the factors listed in Section 2111.

The law also allows companies to surcharge insurance premiums based on traffic convictions or at-fault accidents since these are the most accepted indicators of a person's driving habits and his or her risk of filing a claim. The amount of surcharge can vary from company to company but the surcharge is intended to penalize unsafe driving behavior. Therefore, drivers that are in an accident and are not at fault should not be penalized.

Group policies offer a lower premium to those individuals who belong to a specific group such as AARP or a credit union and are becoming more prevalent in the marketplace. Insurance companies sometimes use different eligibility and rating criteria for group and individual policies. The proposed legislation would make it clear that a policyholder should not be penalized for a not-at-fault accident, regardless of whether insured with a group or individual auto insurance policy.

### **DESCRIPTION OF BILL**

The proposed legislation would prevent an insurance company from rating or canceling any auto policy based on an accident in which the insured or applicant was not substantially at fault.

### **SUMMARY OF ARGUMENTS**

#### **Pro**

The proposed legislation would ensure that an applicant or policyholder would not be penalized for being involved in an accident for which they are not at fault, regardless of whether they had an individual policy or a group policy.

#### **Con**

None known

### **FISCAL/ECONOMIC IMPACT**

OFIR has identified the following revenue or budgetary implications in this bill:

(a) To the Office of Financial and Insurance Regulation:     None known.

Budgetary:

Revenue:

Comments:

(b) To the Department of Energy, Labor & Economic Growth:     None known.

Budgetary:

Revenue:

Comments:

(c) To the State of Michigan: None known.

Budgetary:

Revenue:

Comments:

(d) To Local Governments within this State: None known.

Comments:

**OTHER STATE DEPARTMENTS**

None known.

**ANY OTHER PERTINENT INFORMATION**

None known.

**ADMINISTRATIVE RULES IMPACT**

The proposed legislation would amend the Michigan Insurance Code. OFIR has general rulemaking authority under the Insurance Code, 1956 PA 218.



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Ken Ross  
Commissioner

12.2.09

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Date

